

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 7, 2020

Applied Optoelectronics, Inc.
(Exact name of Registrant as specified in its charter)

Delaware
(State of Incorporation)

001-36083
(Commission File Number)

76-0533927
(I.R.S. Employer Identification No.)

13139 Jess Pirtle Blvd.
Sugar Land, TX 77478
(address of principal executive offices and zip code)

(281) 295-1800
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par value \$0.001	AAOI	NASDAQ Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

On May 7, 2020 Applied Optoelectronics, Inc. (the “Company”) issued a press release regarding the Company’s financial results for the first quarter ended March 31, 2020. A copy of the Company’s press release is attached as Exhibit 99.1 to this Form 8-K.

The information furnished in this Current Report under this Item 2.02 and the exhibits attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS.

(d) Exhibits

99.1 [Press release dated May 7, 2020, issued by Applied Optoelectronics, Inc., filed herewith.](#)
104 Cover Page Interactive File (the cover page tags are embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Applied Optoelectronics, Inc.

By: /s/ STEFAN J. MURRY
STEFAN J. MURRY
Chief Financial Officer

Date: May 7, 2020



Applied Optoelectronics Reports First Quarter 2020 Results

Sugar Land, Texas, May 7, 2020 – Applied Optoelectronics, Inc. (NASDAQ: AAOI), a leading provider of fiber-optic access network products for the internet datacenter, cable broadband, telecom and fiber-to-the-home (FTTH) markets, today announced financial results for its first quarter 2020 ended March 31, 2020.

“We are disappointed with our first quarter financial results, which were impacted by the COVID-19 pandemic, including an unanticipated shutdown of our China factory of nearly 3 weeks’ duration. However, acknowledging heightened uncertainty due to the virus, we are encouraged by the improved datacenter demand we are seeing and increasing 5G-related activity, particularly in China,” said Dr. Thompson Lin, Applied Optoelectronics Inc. Founder, President and Chief Executive Officer. “We have taken numerous measures to adapt to the current environment, our factory in China has returned to normal staffing levels, and our entire team has worked diligently to keep AOI operating and on track during this challenging time.”

First Quarter 2020 Financial Summary

- Total revenue was \$40.5 million, compared with \$52.7 million in the first quarter of 2019 and \$48.7 million in the fourth quarter of 2019.
- Revenue was approximately \$3.8 million lower than expected due to unanticipated COVID-related delays.
- GAAP gross margin was 15.7%, compared with 23.4% in the first quarter of 2019 and 23.3% in the fourth quarter of 2019. Non-GAAP gross margin was 19.5%, compared with 25.5% in the first quarter of 2019 and 27.6% in the fourth quarter of 2019.
- GAAP net loss was \$16.8 million, or \$0.83 per basic share, compared with net loss of \$10.5 million, or \$0.53 per basic share in the first quarter of 2019, and a net loss of \$35.4 million, or \$1.76 per basic share in the fourth quarter of 2019.
- Non-GAAP net loss was \$8.8 million, or \$0.44 per basic share, compared with non-GAAP net loss of \$5.4 million, or \$0.27 per basic share in the first quarter of 2019, and a non-GAAP net loss of \$3.6 million, or \$0.18 per basic share in the fourth quarter of 2019.

A reconciliation between all GAAP and non-GAAP information referenced above is contained in the tables below. Please also refer to “Non-GAAP Financial Measures” below for a description of these non-GAAP financial measures.

Second Quarter 2020 Business Outlook ⁽⁺⁾

For the second quarter of 2020, the company currently expects:

- Revenue in the range of \$55 million to \$60 million.
- Non-GAAP gross margin in the range of 23% to 25%.
- Non-GAAP net loss in the range of \$4.1 million to \$5.7 million, and non-GAAP loss per share in the range of \$0.20 to \$0.28 using approximately 20.4 million shares.

⁽⁺⁾ Please refer to the note below on forward-looking statements and the risks involved with such statements as well as the note on non-GAAP financial measures.

Conference Call Information

The company will host a conference call and webcast for analysts and investors on May 7, 2020 to discuss its first quarter 2020 results and outlook for its second quarter of 2020 at 4:30 p.m. Eastern time / 3:30 p.m. Central time. Open to the public, investors may access the call by dialing 844-890-1794 (domestic) or 412-717-9586 (international). A live audio webcast of the conference call along with supplemental financial information will also be accessible on the company's website at investors.ao-inc.com. Following the webcast, an archived version will be available on the website for one year. A telephonic replay of the call will be available one hour after the call and will run for five business days and may be accessed by dialing 877-344-7529 (domestic) or 412-317-0088 (international) and entering passcode 10142908.

Forward-Looking Information

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In some cases, you can identify forward-looking statements by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "could," "would," "target," "seek," "aim," "predicts," "think," "objectives," "optimistic," "new," "goal," "strategy," "potential," "is likely," "will," "expect," "plan" "project," "permit" or by other similar expressions that convey uncertainty of future events or outcomes. These statements include management's beliefs and expectations related to our outlook for the first quarter of 2020. Such forward-looking statements reflect the views of management at the time such statements are made. These forward-looking statements involve risks and uncertainties, as well as assumptions and current expectations, which could cause the company's actual results to differ materially from those anticipated in such forward-looking statements. These risks and uncertainties include but are not limited to: the impact of the COVID-19 pandemic on our business and financial results; reduction in the size or quantity of customer orders; change in demand for the company's products due to industry conditions; changes in manufacturing operations; volatility in manufacturing costs; delays in shipments of products; disruptions in the supply chain; change in the rate of design wins or the rate of customer acceptance of new products; the company's reliance on a small number of customers for a substantial portion of its revenues; potential pricing pressure; a decline in demand for our customers' products or their rate of deployment of their products; general conditions in the internet datacenter, cable television (CATV) broadband, telecom, or fiber-to-the-home (FTTH) markets; changes in the world economy (particularly in the United States and China); changes in the regulation and taxation of international trade, including the imposition of tariffs; changes in currency exchange rates; the negative effects of seasonality; and other risks and uncertainties described more fully in the company's documents filed with or furnished to the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2019. More information about these and other risks that may impact the company's business are set forth in the "Risk Factors" section of the company's quarterly and annual reports on file with the Securities and Exchange Commission. You should not rely on forward-looking statements as predictions of future events. All forward-looking statements in this press release are based upon information available to us as of the date hereof, and qualified in their entirety by this cautionary statement. Except as required by law, we assume no obligation to update forward-looking statements for any reason after the date of this press release to conform these statements to actual results or to changes in the company's expectations.

Non-GAAP Financial Measures

We provide non-GAAP gross margin, non-GAAP net income (loss), and non-GAAP earnings per share to eliminate the impact of items that we do not consider indicative of our overall operating performance. To arrive at our non-GAAP gross margin, we exclude stock-based compensation expense, expenses associated with discontinued products, and non-recurring expenses, if any, from our GAAP gross margin. To arrive at our non-GAAP net income (loss), we exclude all amortization of intangible assets, stock-based compensation expense, non-recurring expenses, unrealized foreign exchange gain (loss), losses from the disposal of idle assets, if any, non-GAAP tax expenses (benefits), and expenses associated with discontinued products, if any, from our GAAP net income (loss). Included in our non-recurring expenses in Q1 2020 and Q1 2019 are certain one-time legal (if any) and consulting fees (if any) and employee severance expenses (if any). In computing our non-GAAP income tax expense (benefit), we have applied an estimate of our annual effective income tax rate and applied it to our net income before income taxes. Our non-GAAP earnings per share is calculated by dividing our non-GAAP net income by the fully diluted share count (for periods in which non-GAAP net income is positive) or basic share count (for periods in which our non-GAAP net income is negative). We believe that our non-GAAP measures are useful to investors in evaluating our operating performance for the following reasons:

- We believe that elimination of items such as amortization of intangible assets, stock-based compensation expense, non-recurring revenue and expenses, losses from the disposal of idle assets, unrealized foreign exchange gain or loss, unamortized debt issuance costs associated with the extinguishment of debt, and depreciation on certain equipment undergoing reconfiguration is appropriate because treatment of these items may vary for reasons unrelated to our overall operating performance;
- We believe that elimination of expenses associated with discontinued products, including depreciation and inventory obsolescence is appropriate because these expenses are not indicative of our ongoing operations;
- We believe that estimating non-GAAP income taxes allows comparison with prior periods and provides additional information regarding the generation of potential future deferred tax assets;
- We believe that non-GAAP measures provide better comparability with our past financial performance, period-to-period results and with our peer companies, many of which also use similar non-GAAP financial measures; and
- We anticipate that investors and securities analysts will utilize non-GAAP measures as a supplement to GAAP measures to evaluate our overall operating performance.

A reconciliation of our GAAP net income (loss) and GAAP earnings (loss) per share for the quarter ended March 31, 2020 to our non-GAAP net income (loss) and earnings (loss) per share is provided below, together with corresponding reconciliations for the quarter period ended March 31, 2019.

Non-GAAP measures should not be considered as an alternative to net income (loss), earnings (loss) per share, or any other measure of financial performance calculated and presented in accordance with GAAP. Our non-GAAP measures may not be comparable to similarly titled measures of other organizations because other organizations may not calculate such other non-GAAP measures in the same manner. We have not reconciled the non-GAAP measures included in our guidance to the appropriate GAAP financial measures because the GAAP measures are not readily determinable on a forward-looking basis. GAAP measures that impact our non-GAAP financial measures may include stock-based compensation expense, non-recurring expenses, amortization of intangible assets, unrealized exchange loss (gain), asset impairment charges, and loss (gain) from disposal of idle assets. These GAAP measures cannot be reasonably predicted and may directly impact our non-GAAP gross margin, our non-GAAP net income and our non-GAAP fully-diluted earnings per share, although changes with respect to certain of these measures may offset other changes. In addition, certain of these measures are out of our control. Accordingly, a reconciliation of the non-GAAP financial measure guidance to the corresponding GAAP measures is not available without unreasonable effort.

About Applied Optoelectronics

Applied Optoelectronics Inc. (AOI) is a leading developer and manufacturer of advanced optical products, including components, modules and equipment. AOI's products are the building blocks for broadband fiber access networks around the world, where they are used in the internet datacenter, CATV broadband, telecom and FTTH markets. AOI supplies optical networking lasers, components and equipment to tier-1 customers in all four of these markets. In addition to its corporate headquarters, wafer fab and advanced engineering and production facilities in Sugar Land, TX, AOI has engineering and manufacturing facilities in Taipei, Taiwan and Ningbo, China. For additional information, visit www.ao-inc.com.

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Applied Optoelectronics, Inc.
Preliminary Condensed Consolidated Balance Sheets
(In thousands)
(Unaudited)

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
ASSETS		
CURRENT ASSETS		
Cash, Cash Equivalents and Restricted Cash	\$ 62,517	\$ 67,028
Accounts Receivable, Net	25,783	34,655
Inventories	87,109	85,028
Prepaid Income Tax	375	224
Prepaid Expenses and Other Current Assets	6,904	5,869
Total Current Assets	182,688	192,804
Property, Plant And Equipment, Net	243,717	248,444
Land Use Rights, Net	5,481	5,598
Right of Use Asset	7,756	7,887
Intangible Assets, Net	4,051	4,081
Deferred Income Tax Assets	9,078	7,287
Other Assets	765	724
TOTAL ASSETS	\$ 453,536	\$ 466,825
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts Payable	\$ 36,236	\$ 32,828
Accrued Expenses	10,677	17,864
Current Lease Liability	955	982
Bank Acceptance Payable	9,550	6,310
Current Portion of Notes Payable and Long Term Debt	38,096	33,371
Total Current Liabilities	95,514	91,355
Notes Payable and Long Term Debt	15,315	16,552
Convertible Senior Notes	77,235	77,041
Other Long-Term Liabilities	7,973	8,083
TOTAL LIABILITIES	196,037	193,031
STOCKHOLDERS' EQUITY		
TOTAL STOCKHOLDERS' EQUITY	257,499	273,794
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 453,536	\$ 466,825

Applied Optoelectronics, Inc.
Preliminary Condensed Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

	Three Months Ended	
	March 31,	
	2020	2019
Revenue		
Datacenter	\$ 33,264	\$ 38,499
CATV	4,223	11,962
Telecom	2,560	1,738
FTTH	–	94
Other	420	426
Total Revenue	<u>40,467</u>	<u>52,719</u>
Total Cost of Goods Sold	34,129	40,368
Total Gross Profit	6,338	12,351
Operating Expenses:		
Research and Development	10,558	11,185
Sales and Marketing	2,936	2,595
General and Administrative	10,638	10,440
Total Operating Expenses	<u>24,132</u>	<u>24,220</u>
Operating Loss	(17,794)	(11,869)
Other Income (Expense):		
Interest Income	147	72
Interest Expense	(1,455)	(996)
Other Income	117	78
Foreign Exchange Gain	139	(233)
Total Other Income (Expense):	<u>(1,052)</u>	<u>(1,079)</u>
Net loss before Income Taxes	(18,846)	(12,948)
Income Tax Benefit	2,049	2,474
Net loss	(16,797)	(10,474)
Net loss per share attributable to common stockholders		
basic	<u>\$ (0.83)</u>	<u>\$ (0.53)</u>
diluted	<u>\$ (0.83)</u>	<u>\$ (0.53)</u>
Weighted-average shares used to compute net loss per share attributable to common stockholders		
basic	<u>20,208</u>	<u>19,863</u>
diluted	<u>20,208</u>	<u>19,863</u>

Applied Optoelectronics, Inc.
Reconciliation of Statements of Operations under GAAP and Non-GAAP
(In thousands, except per share data)
(Unaudited)

	Three Months Ended	
	March 31,	
	2020	2019
GAAP total gross profit ^(a)	\$ 6,338	\$ 12,351
Share-based compensation expense	246	189
Non-recurring expense	970	–
Expenses associated with discontinued products	354	925
Non-GAAP total gross profit ^(a)	<u>7,908</u>	<u>13,465</u>
GAAP net income (loss)	(16,797)	(10,474)
Amortization of intangible assets	141	130
Share-based compensation expense	3,238	2,943
Non-recurring charges	1,501	242
Expenses associated with discontinued products	354	925
Non-cash expenses associated with discontinued products	1,025	1,017
Unrealized exchange loss (gain)	(169)	(227)
Non-GAAP tax benefit	1,915	–
Non-GAAP net income (loss)	<u>(8,792)</u>	<u>(5,444)</u>
GAAP diluted net income (loss) per share	\$ (0.83)	\$ (0.53)
Amortization of intangible assets	0.01	0.01
Share-based compensation expense	0.16	0.15
Non-recurring charges	0.07	0.01
Expenses associated with discontinued products	0.02	0.05
Non-cash expenses associated with discontinued products	0.05	0.05
Loss from disposal of idle assets	–	–
Unrealized exchange loss (gain)	(0.01)	(0.01)
Non-GAAP tax benefit	0.09	–
Non-GAAP diluted net income (loss) per share	<u>\$ (0.44)</u>	<u>\$ (0.27)</u>
Shares used to compute diluted loss per share	20,208	19,863
Shares used to compute diluted earnings per share	20,208	19,863

(a) Provided for the purpose of calculating gross profit as a percentage of revenue (gross margin).